

EMERGENCY PROGRAM IN RESPONSE TO NATURAL DISASTERS

(GU-0137)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Guatemala

EXECUTING AGENCY: Ministry of Communications, Transport, Public Works and Housing

AMOUNT AND SOURCE:

IDB: (OC)	US\$40,000,000
Local counterpart funding:	US\$ 4,470,000
Total:	US\$44,470,000

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	30 years
Grace period:	3 years
Disbursement period:	3 years
Commitment period:	2 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0,75%
Currency:	U.S. dollars, from the ility

OBJECTIVES: The program objective is to prevent, avoid and reduce the effects that, as a result of the natural disasters that hit Guatemala in the last six months, cause loss of life and property damage, worsen the living conditions of the population affected, and damage the environment and economic infrastructure. The main problems encountered this year have been floods attributed to the El Niño phenomenon, which have caused landslides, avalanches, high water in the rivers, and mudflows. Hurricane Mitch caused severe damage. We are including US\$15 million for this purpose in the operation.

DESCRIPTION: **Component 1: Disaster damage prevention:**

The government has been implementing preventive measures in all areas for the past three years, stepping up its efforts since August 1998, with the official declaration of an emergency. Some of the specific projects to be carried out as part of the program, as listed in Table 1, involve the following activities: (i) in the south: drainage works in farming and urban areas, cleanup, canalization, and riverbank protection to prevent flooding, the cleaning and rehabilitation of drainage ditches and sewerage systems, road improvements, the repair and rebuilding of bridges, and the protection of schools, historic monuments and archaeological sites; (ii) in the north: watershed management, the repairing of access roads, the rebuilding of bridges and school repairs.

Component 2: Mitigation of the impact of the

emergency and reconstruction phase:

This component includes the temporary rehabilitation and permanent rebuilding of physical infrastructure and basic services damaged by natural disasters in the transportation, sanitation and other sectors to be decided on by the borrower and the Bank. Table 1 lists some of the projects identified for financing under this component.

**ROLE OF THE
PROJECT IN THE
BANK'S COUNTRY
AND SECTOR
STRATEGY:**

Priorities under the Bank's country strategy for Guatemala include: (i) incorporating the poor, indigenous, rural population into the development process; (ii) expanding and upgrading social services; (iii) modernizing the State; and (iv) furthering the development and growth of productive sectors.

Moreover, in cases of natural disasters with unusually severe aftermaths, the Bank helps member countries cope with the unforeseen effects of such disasters and their socioeconomic and environmental repercussions.

**ENVIRONMENTAL AND
SOCIAL REVIEW:**

An independent environmental consultant will be hired to implement the program's environmental management system, which is to be comparable to that of other similar Bank projects. The terms of reference for the consultant will be included in the program's operating regulations.

BENEFITS:

Economic impact. The program should help reduce economic losses engendered by natural disasters by keeping access roads open to traffic and executing other infrastructure projects, such as the repair and rebuilding of housing and channels, watershed management, etc. Plans include drainage along over 50 km of rivers, dredging of over 275,000 m³ of rivers, channels, and creeks, and rehabilitation of some 6,500 dwellings.

Social impact. The program should also help reduce loss of human life and increase the capacity of the population to cope with natural disasters. An estimated 400,000 people will benefit directly from the program.

Long-term positive impact on socioeconomic development. The preventive measures being taken by the government are such that their effects go beyond the emergency per se and contribute to sustained socioeconomic development in the areas in which these works are being carried out. The program will make use of labor-intensive methods and will promote the reintegration of areas impoverished by the armed conflict and affected by natural disasters. Reconstruction work will have built-in community participation mechanisms. Some 650,000 people will benefit throughout the country.

Environmental impact. Proposed program activities are designed to mitigate the adverse effects of natural phenomena and, as such, are expected to have a positive impact on the environment.

RISKS:	<p>The main risk is that the different agencies and organizations conducting various activities during the emergency phase will fail to properly coordinate their efforts, particularly during the program's startup phase. This risk is minimized by the existence of the Coordinadora Nacional para la Reducción de Desastres (CONRED) [Disaster Mitigation Coordination Committee] and of an interagency coordination and implementation agreement signed by the ministries involved in the program.</p>
SPECIAL CONTRACTUAL CONDITIONS:	<p>Special contractual conditions precedent to the first disbursement:</p> <p>(a) establishment of the Authorization Committee (see paragraph 3.9) and the program coordination unit (see paragraphs 3.2, 3.3 and 3.4); (b) opening of a special program account (see paragraph 3.10); and (c) program operating regulations (see paragraph 3.7).</p> <p>The loan contract will specify that the interagency coordination agreement will have been executed prior to the program's approval (see paragraph 3.1).</p>
EXCEPTIONS TO BANK POLICY:	<p>See Procurement.</p>
PROCUREMENT OF GOODS AND CONTRACTING FOR WORKS AND CONSULTING SERVICES:	<p>The program will adhere to Bank contracting and procurement policies. The thresholds for international competitive bidding will be US\$1.5 million for works, US\$250,000 for goods, and US\$200,000 for consulting services. The general procurement notice (GPN) for this emergency program will need to be published in the international publication <i>Development Business</i> on a one-time basis only. The notice will indicate that specific procurement notices will not be published in <i>Development Business</i> but, rather, advertised in newspapers with nationwide circulation, with a stipulation to the effect that there will be no restrictions on bidding by international firms (see paragraphs 3.14 and 3.15).</p> <p>Contract awards for values under the indicated thresholds for international bidding will be made in accordance with simplified procedures consistent with domestic legislation and Bank procedures. These simplified procedures were developed based on the Bank's previous experience with emergency programs for Ecuador (loan 1057/OC-EC and project No. EC-0187), Peru (loan 1058/OC-PE), Argentina (loan 1118/OC-AR) and Paraguay (loan 1117/OC-PR). Detailed information on these procedures can be found in the technical files available for consultation.</p>